

The Energy and Technology Committee
February 24, 2009

Raised House Bill No. 6507: *AAC Reducing and Stabilizing Electric Rates for Residential and Business Customers*

Raised House Bill No. 6512: *AAC The Electric Contract Procurement Process*

Testimony of Dominion Retail, Inc.

My name is William Barkas and I am Manager of State Government Relations for Dominion Retail, Inc. Dominion Retail is a retail electric supplier for about 300,000 electric customers in seven states, including Connecticut where we supply power to more than 60,000 mass market customers. Additionally, we have over 630,000 retail natural gas customers throughout the Northeast and Midwest.

HB 6507

Dominion Retail is strongly opposed and deeply concerned about certain provisions found in HB 6507. Section 1 (b) would end the growth of electric retail choice for customers with demand of less than 500 kW beginning January 1, 2010. The only exception is for contract renewals for customers who are already under contract prior to 2010. This proposed legislation attempts to undo the provisions expanding and enhancing customer choice included in the Electricity and Energy Efficiency Act of 2007, supported by both this Committee and the General Assembly. This proposed reversal of policy is particularly confusing and disconcerting at a time when consumers are facing economic hardships and are looking for opportunities to reduce their personal expenses, like energy costs. This bill would prohibit Residential and small business consumers from exercising their future ability to seek lower cost energy supplies from competitive alternative suppliers just at the very time when such choices are most needed. Such legislation would effectively raise consumer prices during this period of economic

difficulties by eliminating any expansion of competitive choice. It is highly doubtful that electric rates would be “reduced” and “stabilized” as advertised by the title of this bill. It is difficult to understand why anyone concerned about consumer issues would support such a measure.

It should further be pointed out that if the intent of this legislation is to discourage competitive suppliers from operating in the state, there would undoubtedly be a negative financial impact on the state of Connecticut due to the loss of tax revenues from those suppliers if they could no longer conduct business here.

Today, nearly 95,000 Residential customers in Connecticut have chosen an alternative retail electric supplier for the value they receive. Almost 25,000 more consumers have chosen a Clean Energy option. Several thousand more Commercial customers are benefitting from customer choice. Two years ago there were very few marketers serving the Residential market segment, whereas today there are 11 serving UI customers and 15 in CL&P as well as other suppliers that have applied for licenses. This legislation would clearly eliminate the number of consumers who could benefit from the choices offered by a growing number of competitive suppliers. We respectfully request that this Committee delete this Section 1 (b) and related Section 2 (d) of this bill.

Furthermore, Section 2 (f)(3) provides for the electric utilities to offer new types of generation services at the same time alternative competitive suppliers would be prohibited from expanding their business with consumers. It is difficult to comprehend how consumers will benefit from expansion of a monopoly business when competitive forces are prohibited from operating. Another anti-competitive feature of this provision states that “.. such offerings may require customers who elect such offerings to continue to take such service for pre-specified periods.” In other words, there would be a prohibition against a consumer terminating its contract early whereas in the 2007 Electricity and Energy Efficiency Act competitive suppliers are prohibited from including early termination fees in their contracts.

In addition, the bill language continues as follows: “The department shall determine a price for such customers that reflects the full cost of procuring and providing electric generation service to such customers. Each electric distribution company shall recover the actual costs of procuring and

providing electric generation services pursuant to this subdivision.” These sentences raise several questions. Will such customer prices be determined by the DPUC using a cost-of-service methodology or by examining market prices? If the latter, is the DPUC the appropriate entity to determine what constitutes “market prices”? If the electric utilities are allowed full cost recovery of procuring and providing electric generation service, are those costs to be recovered through generation prices or through non-bypassable charges that all rate payers would be obligated to pay? The latter would constitute an unfair competitive advantage over alternative marketers.

HB 6512

This bill proposes to modify the electric contract procurement process for the electric distribution companies. Two provisions of HB 6512 are especially troubling. In Section 1 (c) (4) the utilities are instructed to “develop such portfolio in a manner that mitigates the variation of the price” by blending short and medium-term market-priced purchases with “long-term purchases at prices aligned with the cost of electricity production.” It is unclear how this pricing scheme would impact the price signals being sent to consumers who would adjust their electricity usage accordingly. The intent of current legislation and agency directives in Connecticut is to encourage energy efficiency and conservation, but these efforts can only be effective when consumers have incentives to conserve. If the intent of this bill is to artificially distort market price signals then conservation and efficiency measures will be adversely affected.

Another provision of this section orders the DPUC to set standard service rates “provided such rates will be trueed up to actual revenues and expenses twice per year, with an over or under recovery being included in either the current period or subsequent standard service rates..” Such true-ups by distribution companies (whether electric or gas) in other states have consistently distorted market prices and caused confusion among consumers as to what their real prices are and how to compare them to alternative price offerings. A true-up mechanism that distorts market prices also runs counter to the concept of energy efficiency and conservation since consumers could pay unduly low prices in the summer and high prices in the winter, so why would consumers have an incentive to use electricity efficiently?

Thank you for this opportunity to present our comments on these important pieces of legislation.